

TAB 136

From: Peterson, Anton (FID) [Anton.Peterson@morganstanley.com]
Sent: Friday, October 21, 2005 2:24 PM
To: Travis, Robert (FID); Barrow, Pamela (FID)
Subject: RE: NCEN Update
 Pamela,

Rob, Adrienne, Steve and I had a call at 2 pm. Rob again gave good color to Steve on what he has seen on this trade, and at New Century in general, which is very helpful for Steve to respond to the client's concerns about pull-through.

Keep up the good work, Rob.

Tony P.

From: Shapiro, Steven (FID)
Sent: Friday, October 21, 2005 1:23 PM
To: Travis, Robert (FID); Dicker, Adrienne (FID); Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Teytel, Anna (FID)
Subject: RE: NCEN Update

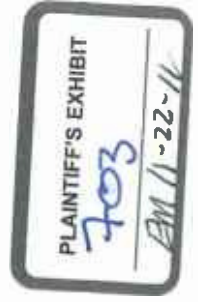
Can we have a quick internal call so I can get people updated on a call I had with Kevin Cloyd. I am available anytime after 2 pm est.

From: Travis, Robert (FID)
Sent: Friday, October 21, 2005 1:11 PM
To: Shapiro, Steven (FID); Dicker, Adrienne (FID); Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Teytel, Anna (FID)
Subject: RE: NCEN Update

Steven,

A little of both... hard to say without dissecting each loan. Some may be within guidelines from a FICO standpoint but the credit profile is not a reflection of the credit score....make sense? Also, most of the loans have some type of exception/issue or Morgan would not have looked at it as a credit reject/exception. The loan may meet the FICO score but there is a private party VOR and no cancelled checks as required by the NCEN guidelines. There may be loan amount exceptions, time at job, etc. The real issue is that the loan requests do not make sense. \$900k in combined loans to a renter with no prior mtg history stated making \$16k a month as a manager of a knock off gold club distributor via the internet and mailings, a borrower that makes \$12k a month as an operations manager of an unknown company--after research on my part I reveal it is a tarot reading house. Compound these issues with the fact that we are seeing what I would call a lot of this type of profile.

Hope that helps a little



MS_RHI_001422949

Rob

From: Shapiro, Steven (FID)
Sent: Friday, October 21, 2005 12:48 PM
To: Travis, Robert (FID); Dicker, Adrienne (FID); Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Teytel, Anna (FID)
Subject: RE: NCEN Update

Rob,

Do these loans meet guidelines or are they outside of guidelines.

Steven

From: Travis, Robert (FID)
Sent: Monday, October 17, 2005 12:15 PM
To: Shapiro, Steven (FID); Dicker, Adrienne (FID); Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Teytel, Anna (FID)
Subject: RE: NCEN Update

Steven,

There are the typical missing docs and credit issues that are just "missed". Specifically what I have been seeing that I am not comfortable with is the borrower with light credit, a qualifying FICO score, buying a high priced home on a stated income loan program. By light credit I mean less than \$2500 credit lines for 24 months. Additionally there are more LTV/CLTV exceptions than I remember seeing, and many of those are being made on non-owner occupied properties. Several of those borrowers have accumulated a number of N/O/O properties over the last year without a history of being able to manage that type of debt load. What adds to my concern is that many of these loans are stated income, and the amount if income stated is just not reasonable for the credit profile. Bottom line, there is not a lot of "common sense" being used when approving these types of loans.

As far as the underwrite goes. It was completed as scheduled on Friday October 14th. The amount of loans at that time that were with the lender for one reason or another was over 900 loans. We have a lot of HUD-1 responses that are being processed today, however that will still leave the credit/compliance kicks in the low 500 range. I have kept NCEN Informed with status reports every other day, and they are aware of the magnitude of the credit kicks.

If there is anything else you need, please do not hesitate to ask.

Thank You

Rob

From: Shapiro, Steven (FID)
Sent: Monday, October 17, 2005 8:42 AM
To: Dicker, Adrienne (FID); Travis, Robert (FID); Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Teytel, Anna (FID)
Subject: RE: NCEN Update

SCould I get a quick update on how the diligence is proceeding. Would be interested in if there are specific things causing the kickouts to be higher or if it is just credit across the entire pool.

Thanks
Steven

From: Dicker, Adrienne (FID)
Sent: Friday, October 07, 2005 4:40 PM
To: Travis, Robert (FID); Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Teytel, Anna (FID); Shapiro, Steven (FID)
Subject: RE: NCEN Update

Rob – thanks again for the heads up and the additional color on the call; this is not surprising and we need to be maintaining our credit standards – if you think these loans need to be kicked let's not hesitate.

I've put a call into Bob Lent to make sure he's aware of the magnitude of loans pending response so that he can manage that process. It sounds like we may very well have a higher kick rate this month. Thanks for giving us the heads up so we can manage NCEN's response rate and expectations.

Adrienne Dicker - Vice President
Morgan Stanley | Fixed Income
1585 Broadway | Floor 02
New York, NY 10036
Phone: +1 212 761-1166
Fax: +1 212 507-4023
Adrienne.Dicker@morganstanley.com

From: Travis, Robert (FID)
Sent: Friday, October 07, 2005 2:34 PM
To: Dicker, Adrienne (FID); Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Teytel, Anna (FID)
Subject: RE: NCEN Update

Sure,

Call me on my cell and we can discuss

Rob

From: Dicker, Adrienne (FID)
Sent: Friday, October 07, 2005 2:30 PM
To: Travis, Robert (FID); Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Teytel, Anna (FID)
Subject: RE: NCEN Update

Hi Rob – would like to talk about this – we have a call with Acoustic that probably will last 30-45 minutes; can we talk around say 3:30 pm EST? thx

Adrianne Dicker - Vice President
Morgan Stanley | Fixed Income
1585 Broadway | Floor 02
New York, NY 10036
Phone: +1 212 761-1166
Fax: +1 212 507-4023
Adrianne.Dicker@morganstanley.com

From: Travis, Robert (FID)
Sent: Friday, October 07, 2005 2:14 PM
To: Barrow, Pamela (FID)
Cc: Peterson, Anton (FID); Atadika, Michael (FID); Dicker, Adrienne (FID); Teytel, Anna (FID)
Subject: NCEN Update

I wanted to give a little color on the NCEN October trade at roughly half way through the underwrite.

As many of you know, the first two tapes were somewhat small and caused delays in underwriting. Roughly we are a day or so behind. Nothing we can't manage. My concern to date has more to do with the quality of the files and the product that the borrowers are being placed.

As of end of day Thursday Clayton has underwritten 1046 files, of which 789 were kicked (183 are HUD only). 606 loans passed to Morgan for review. Currently there are 554 loans on the Credit Event 3 report-more then half of the underwritten files (this does not include the responses that have been cleared to date).

40 Mass BBI loans kicked- 30 are IO kicks with more to come.

High risk loans with first time homebuyers, meeting credit grade requirements, but purchasing high end properties at 100% CLTV Stated. Large loan amount exceptions, heavy payment shock, and N/O/O exceptions.

Overall I would say the loans are riskier than I have seen in the past, resulting in a heavier kick rate.

If you have any questions don't hesitate to call.

Rob

Rob Travis
Morgan Stanley
Field Due Diligence Manager
(949) 466-1029 - Mobile
Robert.Travis@MorganStanley.com